

The logo for Far East Holdings International Limited (FEHI) is displayed in a bold, orange, stylized font. The letters are blocky and interconnected, with the 'F' and 'E' having a unique, geometric design. The background of the entire page is a vibrant blue with dynamic, flowing white and orange light trails that create a sense of motion and energy.

FEHI

INTERIM REPORT **2014**

遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 36

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Deacon Te Ken Chiu, J.P. (Chairman)

Mr. Derek Chiu

Mr. Richard Yen (Managing Director and
Chief Executive Officer)

Mr. Ip Ngai Sang

Non-executive Director

Mr. Desmond Chiu

Independent Non-executive Directors

Dr. Lam Lee G.

Mr. Eugene Yun Hang Wang

Mr. Lee Kwan Hung

COMPANY SECRETARY

Ms. Wong Po Ling Pauline

LEGAL ADVISERS

Sit, Fung, Kwong & Shum

King & Wood Mallesons

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Derek Chiu

Ms. Wong Po Ling Pauline

AUDIT COMMITTEE

Dr. Lam Lee G. (Chairman)

Mr. Eugene Yun Hang Wang

Mr. Lee Kwan Hung

REMUNERATION COMMITTEE

Dr. Lam Lee G. (Chairman)

Mr. Derek Chiu

Mr. Eugene Yun Hang Wang

NOMINATION COMMITTEE

Mr. Eugene Yun Hang Wang (Chairman)

Mr. Derek Chiu

Dr. Lam Lee G.

INVESTMENT COMMITTEE

Dr. Lam Lee G. (Chairman)

Mr. Derek Chiu

Mr. Eugene Yun Hang Wang

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Hang Seng Bank Limited

REGISTERED OFFICE

16th Floor, Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

PRINCIPAL OFFICE

Room 2101–2102, 21st Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Telephone: 3521 3800

Facsimile: 3521 3821

Email: info@feholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

LISTING INFORMATION

Stock Code: 36

Board Lot: 3000

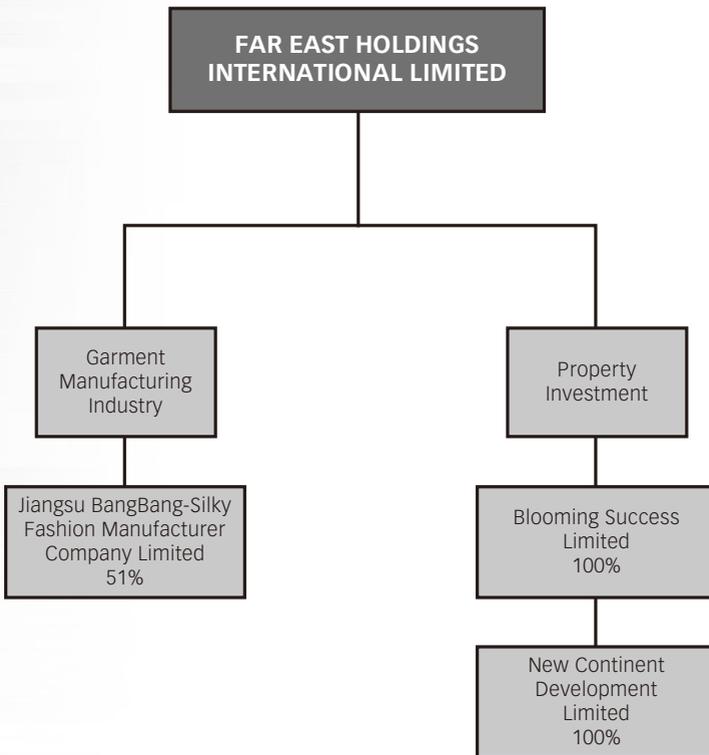
WEBSITE

<http://www.feholdings.com.hk>

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CORPORATE PROFILE



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the six months period ended 30th June, 2014 (the "Period"), the operating activities of the Group recorded a revenue of approximately HK\$7.25 million (30th June, 2013: HK\$7.93 million), representing a decrease of 8.58% over the corresponding period in 2013.

Loss attributable to owners of the Company for the Period amounted to approximately HK\$2.6 million (30th June, 2013: HK\$9.0 million).

The basic loss per share for the Period is 0.55 HK cents (30th June, 2013: basic loss per share of 2.07 HK cents).

Decline in the gain from change in fair value of available-for-sale investments reduces the total comprehensive income attributable to the owners of the Company for the Period to approximately HK\$7.71 million (30th June, 2013: total comprehensive income amounted to approximately HK\$30.76 million).

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's core business continues to be in the PRC and Hong Kong. The major business activities include manufacturing and export of garment products, property investment and investment in securities.

Garment Manufacturing Industry

Jiangsu BangBang-Silky Fashion Manufacturer Company Limited ("JBB")

For the Period, JBB recorded revenue of approximately HK\$7.25 million (30th June, 2013: HK\$7.93 million), representing a decrease of approximately 8.58% as compared to the same period in 2013 and loss before taxation of HK\$1.72 million (30th June, 2013: HK\$0.88 million).

JBB is still facing challenges in terms of increasing material and labor costs, and falling per unit sales price. The market condition in Japan and Europe has yet to improve and demand for children's wear remains low. Nonetheless JBB will continue to down size and find ways to increase its income to offset its losses. JBB is looking for ways to better utilize their properties and equipment, including leasing and joint venture opportunities.

Property Investment

The total value of investment properties held by the Group increased to approximately HK\$109.9 million as at 30th June, 2014.

Retail shops on 110 Caine Road in Mid-Level West were one of two large property investments made this year. Future demand and opportunities are likely to increase since Swire's Arezzo at 33 Seymour Road next to the shops is likely to complete phase one in 2015 and phase two in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS (Continued)

Investment in Securities

Although volatility in financial markets also hindered the Company's ability to identify good investment opportunities, some of the information technology related investments were still able to generate healthy returns for the Group as a result of the boom of information technology related stocks. The fair value of the Group's available-for-sale investments has increased substantially. The Group recorded a fair value gain on available-for-sale investments of approximately HK\$15.1 million for the six months ended 30th June, 2014 (six months ended 30th June, 2013: fair value gain of approximately HK\$38.4 million). The fair value of the Group's held-for-trading investments has also increased by approximately HK\$0.2 million for the six months ended 30th June, 2014 (six months ended 30th June, 2013: decrease in fair value of approximately HK\$0.03 million).

Event after the Period

On 28th July, 2014, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the Company agreed to sell all 113,399,822 shares of Chinasoft International Limited ("CIL") on hand at HKD\$2.27 per share. This transaction was completed on 26th August, 2014. The Company will use around half of the proceeds for the development of the Company's property investment business in the PRC, Hong Kong and new markets. The rest of the fund will be used for existing operation and ongoing investment opportunities.

Prospects

The Company is reorganizing itself to capture more diversity and opportunities in the property investment sector. Although this sector is going through a steady consolidation, it is beginning to offer better opportunities to the Company. Other property investment markets such as US and Japan are also increasingly attractive. This sector will be able to provide more stable income to the Company in the future.

JBB in China will also continue to evolve and adopt new mode of business other than relying solely on manufacturing and export. It is looking for ways to better utilize its properties and equipment, including leasing and joint venture opportunities for domestic and local demands.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group completed an open offer on 31st January, 2013 and net proceeds of approximately HK\$27.9 million were raised. The entire net proceeds have been applied for the acquisition of investment properties.

As at 30th June, 2014, the Group had bank balances and cash and deposits held at financial institutions amounting to HK\$51.44 million (31st December, 2013: HK\$105.44 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 30th June, 2014, the Group had outstanding interest bearing bank loan of HK\$54.20 million (31st December, 2013: Nil).

Gearing Ratio

The net gearing ratio, expressed as a percentage of net debts to equity attributable to owners of the Company was 0.56% as at 30th June, 2014 (31st December, 2013: As the Group did not have any interest bearing bank loans, the Group was in net cash position, no gearing ratio information was presented).

Current Ratio

The Group's current ratio (current assets to current liabilities) as at 30th June, 2014 decreased to 2.3 (31st December, 2013: 93.6). On the whole, the financial position and liquidity of the Group remained stable.

Capital Structure

As at 30th June, 2014, the total number of issued ordinary shares of the Company was 516,845,064 shares as the Company has issued 62,588,235 consideration shares as part of the consideration of the acquisition of Blooming Success Limited during the Period, details of which are set out in the paragraph headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" below.

Exposure on Foreign Exchange Fluctuations

The Group had no significant exposure to foreign exchange fluctuation during the Period.

Charges over Assets of the Group

As at 30th June, 2014 our investment properties of HK\$99 million are secured for the Group's bank borrowings (31st December, 2013: Nil).

Contingent Liabilities

As at 30th June, 2014, the Group did not have any material contingent liabilities (31st December, 2013: Nil).

Capital Commitments

As at 30th June, 2014, the Group had capital commitments amounting to HK\$70.29 million (31st December, 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 24th January, 2014, the Company and a substantial shareholder of the Company (the "Vendor") entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Blooming Success Limited, a company wholly owned by the Vendor, at the consideration of HK\$36.6 million, in which HK\$10 million was satisfied in cash and HK\$26.6 million was satisfied by the issue and allotment of 62,588,235 consideration shares of the Company. The acquisition constituted a connected transaction under the Listing Rules. Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014. Blooming Success Limited became a wholly-owned subsidiary of the Company. Details of this transaction are disclosed in the Company's announcement and circular dated 5th February, 2014 and 1st April, 2014, respectively.

On 13th June, 2014, the Company announced to seek approval from the Shareholders to dispose its interest in CIL. Subsequent to the Shareholders' approval on 16th July, 2014, the Company entered into a sale and purchase agreement on 28th July, 2014 to sell its entire equity interest in CIL to an independent third party. Further details of this transaction are disclosed in the paragraph headed "Event after the Period" of this report and the announcement of the Company dated 29th July, 2014.

Save as disclosed above, during the Period, the Group did not have any other material acquisitions and disposals of subsidiaries and associated companies.

Employees and Remuneration Policy

As at 30th June, 2014, the Group had approximately 185 employees in Hong Kong and the PRC (31st December, 2013: approximately 229 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be paid to reward and motivate those well performed employees. The Group adopted a share option scheme on 23rd May, 2005 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive Directors) and business consultants, agents and legal or financial advisors who will contribute or have contributed to the Company or any of its subsidiaries. On 16th April, 2013, the Company granted share options (the "Share Options") to the eligible participants (the "Grantees") to subscribe for a total of 18,170,270 ordinary shares in the capital of the Company (the "Shares") at an exercise price of HK\$0.27 per Share, which are exercisable from 16th April, 2013 to 15th April, 2023 (both days inclusive). 1,817,027 Share Options were exercised by one of the Grantees and thereafter 1,817,027 ordinary Shares was allotted and issued on 12th August, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30th June, 2014 of HK10 cents per share (six months ended 30th June, 2013: Nil) payable to shareholders of the Company whose names appear on the register of members on 17th September, 2014. Dividend warrants for the interim dividend are expected to be dispatched on or around 13th October, 2014.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th September, 2014 to 17th September, 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 12th September, 2014.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATION

As at 30th June, 2014, the interests and short positions of the Directors or chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying Shares

Name of Director	Number of Shares			Equity ⁽³⁾ derivatives (share options)	Total	Approximate ⁽⁴⁾ percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests			
Deacon Te Ken Chiu, J.P. ("Deacon Chiu, J.P.")	20,848,664	4,175,160 ⁽¹⁾	1,869,366 ⁽²⁾	-	26,893,190	5.20%
Mr. Derek Chiu	88,440	-	-	3,179,797	3,268,237	0.63%
Mr. Richard Yen ("Mr. Yen")	-	-	-	4,542,568	4,542,568	0.88%
Mr. Ip Ngai Sang ("Mr. Ip")	-	-	-	1,817,027	1,817,027	0.35%
Mr. Desmond Chiu	4,000	-	-	-	4,000	0.001%
Dr. Lam Lee G. ("Dr. Lam")	-	-	-	1,817,027	1,817,027	0.35%
Mr. Eugene Yun Hang Wang ("Mr. Wang")	-	-	-	1,817,027	1,817,027	0.35%
Mr. Lee Kwan Hung ("Mr. Lee")	-	-	-	1,817,027	1,817,027	0.35%

Notes:

- (1) These Shares were held by Madam Chiu Ju Ching Lan, spouse of Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by Madam Chiu Ju Ching Lan.
- (2) These Shares were held by the various companies which were wholly and beneficially owned by Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the Shares held by the various companies.
- (3) The interests of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the section headed "SHARE OPTION SCHEME".
- (4) The percentage is calculated on the basis of 516,845,064 Shares in issue as at 30th June, 2014.

Save as disclosed above, as at 30th June, 2014, none of the Directors or chief executive of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30th June, 2014, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

	Number of Shares			Total	Approximate ⁽³⁾ percentage of the issued share capital of the Company
	Personal Interests	Family Interests	Corporate Interests		
Mr. Duncan Chiu	163,417,604	–	–	163,417,604	31.62%
Mr. Daniel Tat Jung Chiu	4,840,000	–	22,880,088 ⁽¹⁾	27,720,088	5.36%
Madam Chiu Ju Ching Lan	4,175,160	22,718,030 ⁽²⁾	–	26,893,190	5.20%

Notes:

- (1) Out of the 22,880,088 Shares, 4,400,000 Shares were held by Cape York Investments Limited (“Cape York”), 50% of which was owned by Mr. Daniel Tat Jung Chiu, and the remaining 18,480,088 Shares were held by Gorich Holdings Limited (“Gorich”), which was wholly owned by Mr. Daniel Tat Jung Chiu. By virtue of the SFO, Mr. Daniel Tat Jung Chiu was deemed to be interested in the Shares held by Cape York and Gorich.
- (2) These Shares were held by Deacon Chiu, J.P., spouse of Madam Chiu Ju Ching Lan. By virtue of the SFO, Madam Chiu Ju Ching Lan was deemed to be interested in the Shares held by Deacon Chiu, J.P.. The interests of Deacon Chiu, J.P. in the Company was stated under the section headed “DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATION” above.
- (3) The percentage is calculated on the basis of 516,845,064 Shares in issue as at 30th June, 2014.

Save as disclosed above, as at 30th June, 2014, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (other than Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

DISCLOSURE OF ADDITIONAL INFORMATION

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company pursuant to a resolution passed on 23rd May, 2005 for the purpose of providing incentives and rewards to employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors or any of its subsidiaries) and business consultants, agents and legal or financial advisers or other suppliers of goods or services who in the sole discretion of the Board, will contribute or have contributed to the success and/or growth of the Company or any of its subsidiaries.

On 16th April, 2013, the Company granted share options to the eligible participants to subscribe for a total of 18,170,270 ordinary shares of HK\$0.01 each in the capital of the Company at an exercise price of HK\$0.27 per Share, which are exercisable from 16th April, 2013 to 15th April, 2023 (both days inclusive).

Movements relating to the options granted under the Share Option Scheme during the Period were as follows:

Name or category of participant	Date of grant	Exercise price	Exercise period	Movement of shares options during the Period				
				As at 01/01/2014	Granted	Exercised	Lapsed/ cancelled/ forfeited	As at 30/06/2014
<i>Continuous Contract Employees</i>	21/04/2006	0.5032	23/05/2006–22/05/2016	798,864	-	-	-	798,864
		0.5032	23/05/2007–22/05/2017	798,864	-	-	-	798,864
	16/04/2013	0.2700	16/04/2013–15/04/2023	3,179,797	-	-	-	3,179,797
<i>Directors</i>								
— Mr. Derek Chiu	16/04/2013	0.2700	16/04/2013–15/04/2023	3,179,797	-	-	-	3,179,797
— Mr. Yen	16/04/2013	0.2700	16/04/2013–15/04/2023	4,542,568	-	-	-	4,542,568
— Mr. Ip	16/04/2013	0.2700	16/04/2013–15/04/2023	1,817,027	-	-	-	1,817,027
— Dr. Lam	16/04/2013	0.2700	16/04/2013–15/04/2023	1,817,027	-	-	-	1,817,027
— Mr. Wang	16/04/2013	0.2700	16/04/2013–15/04/2023	1,817,027	-	-	-	1,817,027
— Mr. Lee	16/04/2013	0.2700	16/04/2013–15/04/2023	1,817,027	-	-	-	1,817,027

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled or forfeited during the Period.

DISCLOSURE OF ADDITIONAL INFORMATION

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATION" above, at no time during the Period and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporation as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all the Directors and they have confirmed in writing that they had fully complied with the Model Code and the Code during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with all the code provisions as set out in Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the following:

- (a) code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Mr. Desmond Chiu, the non-executive Director, Dr. Lam Lee G. and Mr. Eugene Yun Hang Wang, the independent non-executive Directors were not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, all Directors are subject to retirement by rotation at each annual general meeting under articles 79 and 80 of the articles of the association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

DISCLOSURE OF ADDITIONAL INFORMATION

- (b) code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting.

The chairman of the Board did not attend the Company's annual general meeting held on 11th June, 2014 due to other business commitment. However, an executive Director and the chief executive officer of the Company present at the said meeting was elected chairman thereof to ensure an effective communication with the shareholders of the Company (the "Shareholders") thereat.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the Period, the updated information on directors discloseable under Rule 13.51B(1) of the Listing Rules were as follows:

Dr. Lam Lee G., an independent non-executive Director, was appointed as a non-executive director of Heng Fai Enterprises Limited (Stock code: 185) with effect from 19th July 2014. He was also appointed as an independent non-executive director of each of Mingyuan Medicare Development Company Limited (Stock code: 233) with effect from 12th September 2014 and Ruifeng Petroleum Chemical Holdings Limited (Stock code: 8096) with effect from 1st July 2014. He resigned as an independent non-executive director from Next-Generation Satellite Communications Limited (which is listed on the Singapore Exchange) on 14th August 2014.

Save as disclosed above, none of the Directors have any changes in the information required to be disclosed under Rule 13.51B(1) of the Listing Rules during the Period.

AUDIT COMMITTEE

An Audit Committee was established by the Board with written terms of reference which are consistent with the provisions as set out in the CG Code. The Audit Committee comprises three independent non-executive Directors, namely, Dr. Lam Lee G. (chairman of the Audit Committee), Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements.

DISCLOSURE OF ADDITIONAL INFORMATION

REVIEW OF INTERIM RESULTS

The Interim Results of the Group for the six months ended 30th June, 2014 and this interim report have been reviewed by the Audit Committee with the management of the Company and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial report by the auditor has been included in the interim report for the six months ended 30th June, 2014. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosures have been made.

By order of the Board
Far East Holdings International Limited
Richard Yen
Managing Director

Hong Kong, 28th August, 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED

遠東控股國際有限公司

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 36, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28th August, 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

	Notes	Six months ended	
		30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited) (Restated)
Continuing operations			
Revenue	3	7,252	7,925
Cost of sales		(7,746)	(7,660)
Gross (loss) profit		(494)	265
Dividend income from available-for-sale investments		71	51
Dividend income from held-for-trading investments		145	35
Other income		99	434
Other gains and losses	4	1,036	2,448
Selling and distribution costs		(72)	(58)
Administrative expenses		(11,291)	(13,036)
Finance costs		(247)	(14)
Loss before tax		(10,753)	(9,875)
Income tax expense	5	–	–
Loss for the period from continuing operations	6	(10,753)	(9,875)
Discontinued operations			
Gain on disposal of discontinued operations	11	7,286	–
Share of results from discontinued operations		–	447
Profit for the period from discontinued operations		7,286	447
Loss for the period		(3,467)	(9,428)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		(276)	1,701
Fair value gain on available-for-sale investments		15,094	38,413
Reclassification adjustment of exchange reserve upon disposal of a joint venture		(4,623)	–
Other comprehensive income for the period		10,195	40,114
Total comprehensive income for the period		6,728	30,686

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

	Note	Six months ended	
		30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited) (Restated)
Loss for the period attributable to owners of the Company			
– from continuing operations		(9,911)	(9,442)
– from discontinued operations		7,286	447
		(2,625)	(8,995)
Loss for the period attributable to non-controlling interests			
– from continuing operations		(842)	(433)
– from discontinued operations		–	–
		(842)	(433)
		(3,467)	(9,428)
Total comprehensive income attributable to:			
Owners of the Company		7,705	30,757
Non-controlling interests		(977)	(71)
		6,728	30,686
Loss per share		HK cents	HK cents
From continuing and discontinued operations			
– basic	8	(0.55)	(2.07)
– diluted	8	(0.55)	(2.07)
From continuing operations			
– basic	8	(2.08)	(2.17)
– diluted	8	(2.08)	(2.17)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	Notes	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	9	109,850	10,140
Deposits paid for acquisition of investment properties	18	17,571	–
Property, plant and equipment	9	7,179	7,817
Prepaid lease payments		708	765
Intangible assets	18	12,144	–
Available-for-sale investments		289,992	274,896
		437,444	293,618
CURRENT ASSETS			
Prepaid lease payments		26	28
Held-for-trading investments		10,521	12,262
Inventories		3,567	3,255
Trade and other receivables	10	60,412	2,353
Amount due from a non-controlling interest		1,904	1,158
Amounts due from related parties		9	9
Tax recoverable		10	10
Deposits held at financial institutions		22,733	20,201
Pledged bank deposits		10	6
Bank balances and cash		28,710	85,241
		127,902	124,523
Assets classified as held for sale	11	–	47,850
		127,902	172,373
CURRENT LIABILITIES			
Trade and other payables	12	2,235	1,796
Amounts due to related parties		60	45
Secured bank borrowings – due within one year	13	54,202	–
		56,497	1,841
NET CURRENT ASSETS			
		71,405	170,532
TOTAL ASSETS LESS CURRENT LIABILITIES			
		508,849	464,150
CAPITAL AND RESERVES			
Share capital	14	245,061	4,543
Share premium and reserves		247,740	442,582
Equity attributable to owners of the Company		492,801	447,125
Non-controlling interests		16,048	17,025
		508,849	464,150

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2014

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1st January, 2013 (audited)	3,028	176,154	10,118	(14,923)	568	194,361	369,306	16,906	386,212
Loss for the period	-	-	-	-	-	(8,995)	(8,995)	(433)	(9,428)
Other comprehensive income for the period									
Exchange differences arising from the translation of foreign operations	-	-	1,339	-	-	-	1,339	362	1,701
Fair value gain on available-for-sale investments	-	-	-	38,413	-	-	38,413	-	38,413
	-	-	1,339	38,413	-	-	39,752	362	40,114
Total comprehensive income for the period	-	-	1,339	38,413	-	(8,995)	30,757	(71)	30,686
Issue of shares upon Open Offer (note 14)	1,515	28,770	-	-	-	-	30,285	-	30,285
Transaction costs attributable to Open Offer (note 14)	-	(2,377)	-	-	-	-	(2,377)	-	(2,377)
Recognition of equity-settled share based payments	-	-	-	-	4,004	-	4,004	-	4,004
At 30th June, 2013 (unaudited)	4,543	202,547	11,457	23,490	4,572	185,366	431,975	16,835	448,810
At 1st January, 2014 (audited)	4,543	202,547	12,104	40,010	4,572	183,349	447,125	17,025	464,150
Loss for the period	-	-	-	-	-	(2,625)	(2,625)	(842)	(3,467)
Other comprehensive income for the period									
Exchange differences arising from the translation of foreign operations	-	-	(141)	-	-	-	(141)	(135)	(276)
Fair value gain on available-for-sale investments	-	-	-	15,094	-	-	15,094	-	15,094
Reclassification adjustment of exchange reserve upon disposal of a joint venture	-	-	(4,623)	-	-	-	(4,623)	-	(4,623)
	-	-	(4,764)	15,094	-	-	10,330	(135)	10,195
Total comprehensive income for the period	-	-	(4,764)	15,094	-	(2,625)	7,705	(977)	6,728
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	202,547	(202,547)	-	-	-	-	-	-	-
New shares issued as consideration for the acquisition of subsidiaries (notes 14 and 18)	37,971	-	-	-	-	-	37,971	-	37,971
At 30th June, 2014 (unaudited)	245,061	-	7,340	55,104	4,572	180,724	492,801	16,048	508,849

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2014

	Note	Six months ended	
		30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(9,982)	(13,374)
INVESTING ACTIVITIES			
Placement of deposits held at financial institutions		(24,849)	(22,996)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	18	(9,990)	–
Acquisition of property, plant and equipment		(120)	(649)
Placement of pledged bank deposits		(6)	(1)
Withdrawal of deposits held at financial institutions		22,317	36,308
Withdrawal of pledged bank deposits		2	1
Proceeds from disposal of an available-for-sale investment		–	2,800
Others		219	147
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(12,427)	15,610
FINANCING ACTIVITIES			
Repayment to related parties		(32,992)	–
Repayment of bank borrowings		(698)	–
Proceeds from issues of shares upon Open Offer		–	30,285
Transaction costs paid upon Open Offer		–	(2,377)
Others		(247)	(143)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(33,937)	27,765
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(56,346)	30,001
CASH AND CASH EQUIVALENTS AT 1 JANUARY		85,241	63,257
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(185)	428
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		28,710	93,686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, intangible assets and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- HK(IFRIC) – Int 21 *Levies*.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

3. SEGMENT INFORMATION

Information reported to the Managing Director and Chief Executive Officer of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance, is organised into the following segments which focus on the category of different industries and is consistent with the basis of organisation in the Group:

Industrial	– manufacturing and sale of garments
Other operation	– property investment

During the current interim period, the Group's aviation segment has been classified as discontinued operations as a result of the disposal transaction as set out in note 11. Accordingly, the comparative information has been re-presented to conform with the current interim period's presentation.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Six months ended 30th June, 2014

Continuing operations

	Industrial HK\$'000	Other operation HK\$'000	Consolidated HK\$'000 (unaudited)
Segment and external revenue	7,252	–	7,252
Segment results	(1,977)	457	(1,520)
Other income			99
Finance costs			(247)
Unallocated expenses			(9,411)
Gain on disposal of property, plant and equipment			120
Increase in fair value of held-for-trading investments			206
Loss before tax			(10,753)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six months ended 30th June, 2013

Continuing operations

	Industrial HK\$'000	Other operation HK\$'000	Consolidated HK\$'000 (unaudited)
Segment and external revenue	7,925	–	7,925
Segment results	(1,296)	914	(382)
Other income			434
Finance costs			(14)
Unallocated expenses			(11,236)
Increase in fair value of derivative financial instruments			1,050
Gain on disposal of available-for-sale investments			300
Decrease in fair value of held-for-trading investments			(27)
Loss before tax			(9,875)

Segment results represent the (loss) profit from each segment without allocation of other income, corporate expenses, finance costs, changes in fair value of derivative financial instruments, gain on disposal of property, plant and equipment and available-for-sale investments, and changes in fair value of held-for-trading investments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

4. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Increase in fair value of investment properties	710	1,125
Increase (decrease) in fair value of held-for-trading investments	206	(27)
Gain on disposal of property, plant and equipment	120	–
Increase in fair value of derivative financial instruments	–	1,050
Gain on disposal of available-for-sale investments	–	300
	1,036	2,448

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no assessable profit for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25%. EIT has not been provided for as the Group has no assessable profit for both periods.

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Loss for the period from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	53	52
Depreciation	711	697
Equity-settled share-based payments	–	4,004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

7. DIVIDEND

On 28th August, 2014, the directors of the Company have determined that an interim dividend of HK10 cents per share (2013: Nil) amounting to approximately HK\$51,866,000 (2013: Nil) will be paid to the shareholders of the Company whose names appear in the Register of Members on 17th September, 2014.

8. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Loss for the purpose of basic and diluted loss per share	(2,625)	(8,995)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	477,079,058	434,806,606

For the six months ended 30th June, 2013, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 31st January 2013, details of which are described in note 14.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

8. LOSS PER SHARE (Continued)

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited) (Restated)
Loss for the period attributable to the owners of the Company	(2,625)	(8,995)
Less: Profit for the period from discontinued operations attributable to the owners of the Company	7,286	447
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	(9,911)	(9,442)

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

The computation of the diluted loss per share for both periods does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share from continuing operations.

From discontinued operations

Basic earnings per share from discontinued operations for the six months ended 30th June, 2014 was HK1.53 cents per share (six months ended 30th June, 2013: HK0.10 cents per share) and diluted earnings per share from discontinued operations was HK1.51 cents per share (six months ended 30th June, 2013: HK0.10 cents per share), based on the profit for the period from discontinued operations of HK\$7,286,000 (six months ended 30th June, 2013: HK\$447,000) and the denominators used are detailed below:

Number of shares:

	Six months ended	
	30.6.2014	30.6.2013 (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	477,079,058	434,806,606
Effect of dilutive potential ordinary shares in respect of share options outstanding	6,398,126	218,567
Weighted average number of ordinary shares for the purpose of diluted earnings per share	483,477,184	435,025,173

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

There was no significant acquisition or disposal of property, plant and equipment during both periods.

During the six months ended 30th June, 2014, investment properties of HK\$99,000,000 (31st December, 2013: Nil) were acquired on acquisition of assets through acquisition of subsidiaries, details of which are set out in note 18.

The fair value of the Group's investment properties at 30th June, 2014 and 31st December, 2013 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The resulting increase in fair value of investment properties of HK\$710,000 has been recognised directly in profit or loss for the six months ended 30th June, 2014 (six months ended 30th June, 2013: HK\$1,125,000).

The fair value was determined based on the market approach. The market approach uses prices and other relevant information generated by market transactions involving comparable properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the sales price of properties nearby the Group's investment properties, which ranged from HK\$172/sq.ft to HK\$38,635/sq.ft where sq. ft is a common unit of area used in Hong Kong. An increase in the sales prices would result in an increase in the fair value measurement of the investment properties, and vice versa.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 30th June, 2014. There were no transfers into or out of Level 3 during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

10. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 90 days (31st December, 2013: 90 days) to its trade customers. Rentals receivable from tenants are payable on receipt of invoices. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, at the end of the reporting period:

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
Current	859	821
Past due:		
0 to 30 days	114	219
31 to 60 days	–	185
61 to 90 days	–	8
Over 90 days	175	–
Total trade receivables	1,148	1,233
Other receivables	59,264	1,120
	60,412	2,353

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 30th September, 2013, the Group entered into the disposal agreement (the “Disposal Agreement”) with 中國航空器材集團公司 (“中國航空器材”), pursuant to which 中國航空器材 conditionally agreed to acquire and the Group conditionally agreed to sell its approximately 20.02% of the equity interest of Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”) at a consideration of RMB40,500,000 (equivalent to approximately HK\$51,204,000). On 13th November 2013, the Disposal Agreement was approved, confirmed and ratified by the shareholders of the Company. Thereafter, the Group’s interests in Beijing Kailan were classified as assets held for sale and were presented separately in the consolidated statement of financial position as at 31st December, 2013. As Beijing Kailan is the only entity within the Group which is engaged in the operation of the aviation segment, the aviation operation was classified as discontinued operations of the Group. The comparative figures relating to the discontinued operations have also been re-presented.

During the six months ended 30th June, 2014, all conditions precedent to the Disposal Agreement were fulfilled and the disposal was completed on 17th March, 2014, resulting in a gain on disposal of approximately HK\$7,286,000 which was recognised directly in profit or loss for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
0 to 30 days	26	2
31 to 60 days	135	–
Over 90 days	52	50
Total trade payables	213	52
Other payables and accruals	2,022	1,744
	2,235	1,796

13. SECURED BANK BORROWINGS

	30.6.2014 HK\$ (unaudited)	31.12.2013 HK\$ (audited)
Secured bank borrowings comprise the following:		
Mortgage loan	54,202	–
Carrying amount repayable*:		
Within one year	4,250	–
More than one year, but not exceeding two years	4,366	–
More than two years, but not more than five years	13,833	–
More than five years	31,753	–
	54,202	–
Less: Amounts due within one year shown under current liabilities	(54,202)	–
Amounts shown under non-current liabilities	–	–

* The amounts due are based on scheduled repayment dates set out in the loan agreement that contains a repayment on demand clause.

During the six months ended 30th June, 2014, the Group obtained new bank borrowings of approximately HK\$54.9 million (31st December, 2013: Nil) through the acquisition of subsidiaries, of which approximately HK\$698,000 (31st December, 2013: Nil) was repaid before the period ended on 30th June, 2014. These variable-rate bank borrowings carry interest at 1.0% over Hong Kong Interbank Offered Rate and are repayable on demand. The proceeds were used to finance the acquisition of investment properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

14. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
At 1st January, 2013, 30th June, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.01 each	70,000,000,000	700,000
At 30th June, 2014	N/A (Note i)	N/A (Note i)
Issued and fully paid:		
At 1st January, 2013	302,837,886	3,028
Shares issued upon Open Offer (Note ii)	151,418,943	1,515
At 30th June, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.01 each	454,256,829	4,543
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance (Note i)	–	202,547
New shares issued as consideration for the acquisition of subsidiaries (Note iii)	62,588,235	37,971
At 30th June, 2014		
– Ordinary shares with no par value	516,845,064	245,061

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3rd March, 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relevant entitlement of any of the shareholders as a result of this transition.
- (ii) Pursuant to an ordinary resolution passed at a board meeting of the Company on 14th December, 2012, an issue of shares by the Company at a price of HK\$0.20 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 151,418,943 new shares were issued on 31st January, 2013, resulting in gross proceeds of approximately HK\$30,285,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK\$2,377,000.
- (iii) On 24th January, 2014, the Company and a substantial shareholder and a connected person of the Company (the "Vendor") entered into the acquisition agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Blooming Success Limited, a company wholly owned by the Vendor. As at 25th April, 2014, the net assets value of Blooming Success Limited and its subsidiary ("Blooming Success") was HK\$48 million, in which HK\$10 million was satisfied in cash and HK\$38 million was satisfied by the issue and allotment of 62,588,235 consideration shares. Subsequent to the fulfilment of all conditions precedent under the acquisition agreement, the acquisition was completed on 25th April, 2014, and 62,588,235 consideration shares were issued by the Company to the Vendor on the same day.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

15. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees and will expire on 20th July, 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The number of shares to be issued in respect of which options had been granted and remained outstanding under the Scheme is 19,767,998 (31st December, 2013: 19,767,998) shares at the end of the reporting period. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1.00 per option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 21st April, 2006, 5,100,000 share options were granted at an initial exercise price of HK\$1.34. 50% of the 5,100,000 share options were immediately vested upon grant with an exercisable period from 23rd May, 2006 to 22nd May, 2016 and the remaining 50% of the 5,100,000 share options were vested one year from the date of an grant with exercisable period from 23rd May, 2007 to 22nd May, 2017 respectively. Pursuant to the bonus issue in 2007, the exercise price and number of share options granted were adjusted accordingly from HK\$1.34 to HK\$1.2182 and from 5,100,000 to 5,610,000 respectively. Furthermore, pursuant to the bonus issue in 2009, the exercise price and the remaining number of share options granted were further adjusted from HK\$1.2182 to HK\$0.6091 and from 1,150,000 to 2,300,000, respectively. Pursuant to the Open Offer during the period, the exercise price and the remaining number of shares options granted were further adjusted from HK\$0.6091 to HK\$0.5032 and from 1,320,000 to 1,597,728 respectively.

On 16th April, 2013, 18,170,270 share options were granted at an initial exercise price of HK\$0.27 and immediately vested upon grant with exercisable period from 16th April, 2013 to 15th April, 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

15. SHARE OPTION SCHEME (Continued)

Details of the share options outstanding at 31st December, 2013 and 30th June, 2014 are as follows:

Capacity of grantee	Grant date	Adjusted exercise price HK\$	Exercisable period (both days inclusive)	Number of share options			
				Balance at 1.1.2014	Granted during the period	Exercised during the period	Balance at 30.06.2014
Directors	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	14,990,473	-	-	14,990,473
Employees	21.4.2006	0.5032	23rd May, 2006 to 22nd May, 2016	798,864	-	-	798,864
	21.4.2006	0.5032	23rd May, 2007 to 22nd May, 2017	798,864	-	-	798,864
	16.4.2013	0.27	16th April, 2013 to 15th April, 2023	3,179,797	-	-	3,179,797
				19,767,998	-	-	19,767,998

No share option was granted, lapsed or was exercised during the period.

The estimated fair values of the options granted on 21st April, 2006 which vested in 2006 and 2007 are HK\$0.4964 and HK\$0.5613 respectively. The market price of the shares at the date of grant was HK\$1.34. These fair values were calculated using the Black-Scholes pricing model.

The estimated fair values of the options granted on 16th April, 2013 are HK\$0.2204. The market price of the shares at the date of grant was HK\$0.27. The fair value was calculated using the Trinomial Option Pricing model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

16. PLEDGE OF ASSETS

At 30th June, 2014:

- (a) short term loan and margin trading facilities in respect of securities transactions to the extent of approximately HK\$159.0 million (31st December, 2013: HK\$159.1 million) are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$68.2 million (31st December, 2013: HK\$74.2 million). None of these facilities has been utilised at the end of the reporting periods. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group;
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$40,000 (31st December, 2013: HK\$34,000), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposits of the Group held at financial institutions of approximately HK\$194,000 (31st December, 2013: HK\$203,000). The listed investments comprise held-for-trading securities held by the Group;
- (c) short term loan and margin facilities in respect of securities transactions of approximately HK\$77.5 million (31st December, 2013: HK\$77.5 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposits held at financial institutions of the Group of approximately HK\$225.9 million (31st December, 2013: HK\$206.0 million). The listed investments comprise held-for-trading securities and available-for sale investments held by the Group; and
- (d) bank loan facilities to the extent of approximately HK\$54.2 million (31st December 2013: Nil), of which approximately HK\$54.2 million (31st December 2013: Nil) were drawdown and fully utilised, are secured by the Group's investment properties with an aggregate carrying value of approximately HK\$99.0 million (31st December 2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30.6.2014 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the condensed consolidated statement of financial position	10,521	Level 1	Quoted bid prices in an active market
2. Listed equity securities in Hong Kong classified as available-for-sale investments in the condensed consolidated statement of financial position	289,992	Level 1	Quoted bid prices in an active market

There was no transfer between Level 1 and 2 in the current and prior periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

18. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 25th April, 2014, the Group acquired a 100% equity interest in Blooming Success from a substantial shareholder and a connected person of the Company by cash consideration of HK\$10,000,000 and issue and allotment of 62,588,235 consideration shares. Blooming Success is principally engaged in property investment and its major assets are investment properties in Hong Kong. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	HK\$'000
Investment properties	99,000
Deposits	17,571
Intangible assets (Note)	12,144
Other receivables	7,371
Bank balances and cash	10
Other payables	(218)
Amounts due to related parties	(33,007)
Secured bank borrowings	(54,900)
	<hr/> 47,971 <hr/>
Satisfied by:	
Cash consideration paid	10,000
Consideration shares issued	37,971
	<hr/> 47,971 <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	10,000
Bank balances and cash acquired	(10)
	<hr/> 9,990 <hr/>

Note: The intangible asset arose from the sale and purchase agreement entered into by Blooming Success in relation to the purchase of properties at a cash consideration HK\$87,856,000 of which HK\$17,571,000 had been paid by Blooming Success as at 25th April, 2014. The fair value of these properties to be acquired by Blooming Success as at 25th April, 2014 was assumed to amount to HK\$100,000,000, which was arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited as at 24th January, 2014. The fair value of the intangible asset arising from the contractual rights of Blooming Success under the sale and purchase agreement was determined by reference to the excess of fair value of these properties of HK\$100,000,000 at the valuation date over the consideration sum in the sale and purchase agreement of HK\$87,856,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

19. COMMITMENTS

As at 30th June, 2014, the Group had capital expenditure in respect of the acquisition of investment properties contracted for but not provided in the condensed consolidated financial statements amounting to HK\$70,285,000 (31st December, 2013: Nil).

20. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these condensed consolidated financial statements, the Group had the following related party transactions during the period:

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group are as follows:

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Short-term benefits	2,494	1,704
Post-employment benefits	37	30
Equity-settled share-based payments	–	4,004
	2,531	5,738

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company announced that on 28th July, 2014, the Company has entered into a sale and purchase agreement with an independent third party, Prime Partners Development Limited (the "Purchaser"), pursuant to which the Company has agreed to sell and the Purchaser has agreed to buy the Company's entire equity interest (representing 113,399,822 shares) in Chinasoft International Limited ("CIL") at the consideration of HK\$2.27 per share. The transaction was completed on 26th August, 2014. The interest in CIL was classified as available-for-sale investments in the condensed consolidated financial statements with a carrying value of HK\$250.6 million as at 30th June, 2014. Details of the transaction are set out in the Company's announcement dated 29th July, 2014.